

Rubin & Hays

ATTORNEYS AT LAW

Kentucky Home Trust Building, 450 South Third Street, Louisville, Kentucky 40202-1410
Telephone (502) 549-7525 Telefax (502) 569-7555 Email: rh@rubinhays.com

CHARLES S MUSSON
W RANDALL JONES
CHRISTIAN L JUCKETT

PARALEGAL
MARY M EMBRY

September 23, 2005

Ms. Beth O'Donnell, Executive Director
Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

Case No. 2005-00395

RECEIVED

SEP 26 2005

PUBLIC SERVICE

Re: Carroll County Water District No. 1 PSC Application

Dear Ms. O'Donnell:

Enclosed please find the original and ten (10) copies of the Application of the Carroll County Water District No. 1 for an Order authorizing the issuance of securities pursuant to KRS 278.300.

This Application requests approval of the issuance of securities for the purpose of refunding certain high interest Bonds of the Applicant. **Due to the extreme volatility of the financial markets and the fact that this refunding is interest rate sensitive, we request that the Commission process the Application in an expedited manner and issue an Order on or before October 19, 2005 (the date set for closing the securities).**

Thank you for your assistance and if you need any additional information or documentation, please let us know.

Sincerely,

Rubin & Hays

By 
W. Randall Jones

WRJ:jlm
Enclosures

cc: Mr. Jim Smith, Carroll County Water District No. 1
Ms. Kristen Curtis, Morgan Keegan

SEP 26 2005

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF:

THE APPLICATION OF CARROLL COUNTY)
 WATER DISTRICT NO. 1 TO ISSUE SECURITIES)
 IN THE APPROXIMATE PRINCIPAL AMOUNT)
 OF \$845,000 FOR THE PURPOSE OF REFUNDING) CASE NO. 2005-00395
 CERTAIN OUTSTANDING OBLIGATIONS OF)
 THE DISTRICT PURSUANT TO THE PROVISIONS)
 OF KRS 278.300)

** *** **** ***** **** *** **

APPLICATION

The Applicant, Carroll County Water District No. 1 (the "District"), files this Application pursuant to KRS 278.300, 807 KAR 5:001, and all other applicable laws and regulations, and requests that the Kentucky Public Service Commission (the "Commission") enter an Order authorizing the District to issue certain securities in the approximate principal sum \$845,000 (subject to adjustment of up to 10%), for the purpose of refunding an outstanding revenue obligation of the District. In support of this Application, and in compliance with the rules and regulations of the Commission, the District states as follows:

1. The District was established in accordance with the provisions of Chapter 74 of the Kentucky Revised Statutes pursuant to an Order of the County Judge/Executive of Carroll County, which Order is on file in the County Court Order **Books** in the office of the Clerk of Carroll County, Kentucky. The District is now, and has been since its inception, regulated by the Commission, and all records and proceedings of the Commission with reference to the District are incorporated in this

Application by reference. The District does not have any Articles of Incorporation due to the fact that it is a statutory entity.

2. The governing body of the District is its Board of Commissioners which is a public body corporate, with power to make contracts in furtherance of its **lawful** and proper purpose **as** provided for in KRS 74.070 and all applicable law and regulations.

3. The mailing address of the District is **as** follows:

Carroll County Water District No. 1
c/o Mr. James Smith, Manager
P.O. Box 350
Ghent, Kentucky 41045
Telephone: (502) 347-9470

4. A general description of the District's water system property, together with a statement of the original cost, is contained in the District's **Annual** Report for 2004 which is on file with the Commission. The **Annual** Report is incorporated herein by reference.

5. The District proposes to borrow funds from the Kentucky Rural Water Finance Corporation ("KRWFC") pursuant to an Assistance Agreement (the "2005 Loan"), in the estimated *principal* amount of \$845,000 (subject to adjustment of up to 10%) for the purpose of refunding the outstanding Lease with Star **Bank**, N.A. (now **U.S. Bank**, National Association, **as** successor) dated March 10, 1995, in the original principal amount of \$1,208,000 (the "Prior Obligation"). Said Prior Obligation is now held by **U.S. Bank**, National Association.

6. The estimated debt service for the 2005 Loan is shown in **Exhibit A**, which is attached hereto and incorporated herein by reference. The debt service schedule and estimated interest rates are subject to change because of market conditions. The final terms and details of the 2005 Loan may vary from the present assumptions based upon market conditions and other business judgment factors.

7. The 2005 Loan will provide the District with the funds necessary to (i) refund the Prior Obligation; and (iii) pay the fees and expenses incident to the issuance of the 2005 Loan.

8. The Sources and Uses of Funds to be obtained from the issuance of the 2005 Loan are detailed as **Exhibit B**, which is attached hereto and incorporated herein by reference.

9. It is anticipated that the proposed refinancing will result in substantial revenue savings for the District. These savings are shown on the Debt Service Comparison, which is attached hereto and incorporated herein by reference as **Exhibit C**.

10. The final principal amount of the 2005 Loan will be adjusted, based upon final interest rates which will be known on or about September 21, 2005, in order to provide funds sufficient to redeem, in full, the Prior Obligation. Final financial figures will be submitted to the Commission in a timely manner. The Applicant will not issue the securities if interest rates in the bond market shift to a point where the Applicant will not achieve any savings.

11. The Debt Service Schedule of the outstanding Prior Obligation being refunded is set forth in **Exhibit D**.

12. The District represents that the 2005 Loan is in the public interest and is intended to accomplish the purpose of strengthening the financial condition of the District by producing substantial debt service savings. This is a lawful object within the corporate purposes of the District's utility operations. The 2005 Loan is necessary, appropriate for, and consistent with the proper performance by the District of its service to the public and will not impair its ability to perform that service.

13. The District represents that it will, as soon as reasonably possible after the closing of the 2005 Loan, file with the Commission a statement setting forth the date of issuance of the 2005

Loan, the price paid, the fees and expenses incurred in the issuance of the 2005 Loan, and the terms and interest rates of the 2005 Loan.

14. The detailed Statement of Revenue and Expenses, Balance Sheet and Statement of Cash Flows for the twelve month period ending on December 31, 2004 are attached hereto and incorporated herein be reference as **Exhibit E** respectively.

15. The remaining financial schedules and other information necessary for the Financial Exhibit required by 807 KAR 5:001, Section 6 and Section 11 (2) (a) are contained in the 2004 Annual Report which is on file with the Commission. The *Annual* Report is incorporated herein by reference.

16. Pursuant to 807 KAR 5:001, the District hereby responds **as** follows:

- (a) Section 6(4) Mortgages: The District does not have any mortgages in effect as of the date hereof.
- (b) Section 6(5) Bonds: The 2005 Loan will be secured by a pledge of the revenues of the District's System.
- (c) Section 11(2)(b): The District does not have any trust deeds in effect **as** of the date hereof.
- (d) Section 11(2)(c): No property is being acquired **as** the proceeds of the securities are being used for the refunding of the Prior Obligation.

17. **The** District hereby requests and moves for a deviation, pursuant to 807 KAR 5:001, Section 14, from the requirements of 807 KAR 5:001, Section 6, which requires that the financial data filed with the Application be for a twelve (12) month period ending within ninety (90) days of the filing of the application. The District states that there has been no change that is material in nature in the financial condition or operation of the District since December 31, 2004.

The financial data filed with this Application is for the twelve (12) month period ending December 31, 2004. This is the most recent published financial data available. Because of the volatility of the bond market, the District cannot run the risk of delaying the closing of the 2005 Loan while more current financial data is compiled. Also, the refunding of the Prior Obligation will save the District significant revenues thus improving the District's financial position.

18. No rate adjustment will be necessary.

WHEREFORE, the District respectfully requests that the Commission take the following actions:

1. Authorize the issuance of the securities requested in the Application prior to the closing date of **October 19, 2005**;

2. Grant the District a deviation, to the extent necessary, from 807 KAR 5:001, Section 6 to allow the submission of the District's 2004 Annual Report and 2004 Audit in lieu of more recent financial data, there being no material change in the data in 2005 and due to the volatility of the present bond market; and

3. Process this Application without a formal hearing in order to save time and expense.

The District will promptly respond to any inquiries or information requests by the Commission's staff.

RTJBIN & HAYS

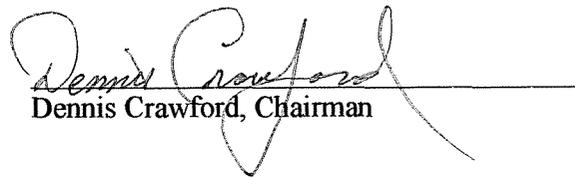
By 

W. Randall Jones
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
Phone: (502) 569-7525
Fax: (502) 569-7555
Counsel for Carroll County
Water District No. 1

STATE OF KENTUCKY)
) SS
COUNTY OF CARROLL,)

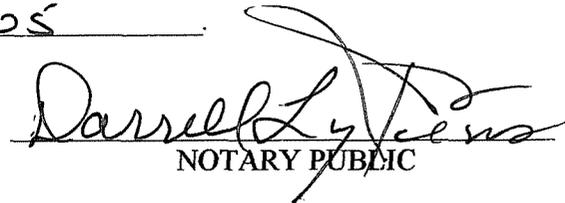
The affiant, Dennis Crawford, being first duly sworn, states: ~~That~~ he is the Chairman of the Carroll County Water District No. 1, the Applicant in this case; that he has read the foregoing Application and has noted the contents thereof; that the same are true of his own knowledge and belief, except ~~as~~ to matters which are herein stated to be based on information or belief, and that these matters, he believes to be true and correct.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on the 21 day of September, 2005.


Dennis Crawford, Chairman

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Dennis Crawford, Chairman of the Carroll County Water District No. 1, on this the 21 day of September, 2005.

My Commission expires: 12/23/05.


NOTARY PUBLIC

\$845,000

*Carroll County Water District
Kentucky Rural Water Finance Corporation
Flexible Term Program, Series 2005 C*

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
02/01/2006	94,000.00	3.000%	9,439.90	103,439.90
08/01/2006			12,749.85	12,749.85
02/01/2007	92,000.00	3.050%	12,749.85	104,749.85
08/01/2007			346.85	346.85
02/01/2008	95,000.00	3.150%	346.85	106,346.85
08/01/2008			9,850.60	9,850.60
02/01/2009	98,000.00	3.250%	9,850.60	107,850.60
08/01/2009			8,258.10	8,258.10
02/01/2010	101,000.00	3.400%	8,258.10	109,258.10
08/01/2010			6,541.10	6,541.10
02/01/2011	105,000.00	3.500%	6,541.10	111,541.10
08/01/2011			4,703.60	4,703.60
02/01/2012	108,000.00	3.540%	4,703.60	112,703.60
08/01/2012			2,792.00	2,792.00
02/01/2013	112,000.00	3.650%	2,792.00	114,792.00
08/01/2013			748.00	748.00
02/01/2014	40,000.00	3.740%	748.00	40,748.00
Total	\$845,000.00		\$123,420.10	\$968,420.10

Yield Statistics

Accrued Interest from 10/01/2005 to 10/19/2005.....	1,415.99
Bond Year Dollars.....	\$3,538.67
Average Life.....	4.188 Years
Average Coupon.....	3.4877572%
Net interest Cost (NIC).....	3.7191590%
True Interest Cost (TIC).....	3.7449398%
Bond Yield for Arbitrage Purposes.....	4.2674669%
All Inclusive Cost (AIC).....	4.4650289%

IRS Form 8038

Net Interest Cost.....	3.4531966%
Weighted Average Maturity.....	4.138 Years

\$845,000

*Carroll County Water District
Kentucky Rural Water Finance Corporation
Flexible Term Program, Series 2005 C*

Sources & Uses

Dated 10/01/2005 | Delivered 10/19/2005

Sources Of Funds

Par Amount of Bonds.....	\$845,000.00
Reoffering Premium.....	1,111.01
Accrued Interest from 10/01/2005 to 10/19/2005.....	1,415.99
Total Sources	\$847,527.00

Uses Of Funds

Total Underwriter's Discount (1.101%).....	9,299.55
Costs of Issuance.....	16,442.50
Gross Bond Insurance Premium (30.0 bp).....	2,905.26
Deposit to Debt Service Fund.....	1,415.99
Deposit to Current Refunding Fund.....	816,901.92
Rounding Amount.....	561.78
Total Uses.....	\$847,527.00

\$845,000

*Carroll County Water District
Kentucky Rural Water Finance Corporation
Flexible Term Program, Series 2005 C*

Debt Service Comparison

Date	Total P+I	Exnenses	Net New DIS	Old Net DIS	Savinss
1213012005				19,460.46	19,460.46
1213012006	116,189.75	350.00	116,539.75	116,762.77	223.02
12/30/2007	116,096.70	350.00	116,446.70	116,762.78	316.08
12/30/2008	116,197.45	350.00	116,547.45	116,762.78	215.33
1213012009	116,108.70	350.00	116,458.70	116,762.77	304.07
12/30/2010	115,799.20	350.00	116,149.20	116,762.78	613.58
12/30/2011	116,244.70	350.00	116,594.70	116,762.81	168.11
12/30/2012	115,495.60	350.00	115,845.60	116,762.76	917.16
12/30/2013	115,540.00	350.00	115,890.00	116,762.79	872.79
12/30/2014	40,748.00	350.00	41,098.00	116,762.78	75,664.78
1213012015		-		29,190.70	29,190.70
Total	\$968,420.10	\$3,150.00	\$971,570.10	\$1,099,516.18	\$127,946.08

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....	83,633.36
Effects of changes in Expenses.....	(2,624.12)
Net PV Cashflow Savings @ 4.465%(AIC).....	81,009.24
Accrued Interest Credit to Debt Service Fund.....	1,415.99
Contingency or Rounding Amount.....	561.78
Net Present Value Benefit.....	\$82,987.01
Net PV Benefit / \$786,861 Refunded Principal.....	10.547%
Net PV Benefit ■ \$845,000 Refunding Principal.....	9.821%

Refunding Bond Information

Refunding Dated Date.....	10/01/2005
Refunding Delivery Date.....	10/19/2005

\$1,280,000

*Carroll County Water District
Series 1995*

Prior Original Debt Service

Part 1 of 3

Date	Principal	Coupon	Interest	Total P+I
03/01/2005	5,261.58	7.500%	4,472.97	9,734.55
04/01/2005	4,606.98	7.500%	5,128.23	9,735.21
05/01/2005	4,635.77	7.500%	5,099.44	9,735.21
06/01/2005	4,664.74	7.500%	5,070.46	9,735.20
07/01/2005	4,693.90	7.500%	5,041.31	9,735.21
08/01/2005	4,723.23	7.500%	5,071.97	9,735.20
09/01/2005	4,752.75	7.500%	4,982.45	9,735.20
10/01/2005	4,782.46	7.500%	4,952.75	9,735.21
11/01/2005	4,812.35	7.500%	4,922.86	9,735.21
12/01/2005	5,638.30	7.500%	4,892.78	10,531.08
01/01/2006	4,872.69	7.500%	4,857.54	9,730.23
02/01/2006	4,903.15	7.500%	4,827.08	9,730.23
03/01/2006	4,933.79	7.500%	4,796.44	9,730.23
04/01/2006	4,964.63	7.500%	4,765.60	9,730.23
05/01/2006	4,995.66	7.500%	4,734.57	9,730.23
06/01/2006	5,026.88	7.500%	4,703.35	9,730.23
07/01/2006	5,058.30	7.500%	4,671.93	9,730.23
08/01/2006	5,089.91	7.500%	4,640.32	9,730.23
09/01/2006	5,121.72	7.500%	4,608.51	9,730.23
10/01/2006	5,153.73	7.500%	4,576.50	9,730.23
11/01/2006	5,185.95	7.500%	4,544.29	9,730.24
12/01/2006	5,218.36	7.500%	4,511.87	9,730.23
01/01/2007	5,250.97	7.500%	4,479.26	9,730.23
02/01/2007	5,283.79	7.500%	4,446.44	9,730.23
03/01/2007	5,316.81	7.500%	4,413.42	9,730.23
04/01/2007	5,350.04	7.500%	4,380.19	9,730.23
05/01/2007	5,383.48	7.500%	4,346.75	9,730.23
06/01/2007	5,417.13	7.500%	4,313.10	9,730.23
07/01/2007	5,450.99	7.500%	4,279.25	9,730.24
08/01/2007	5,485.05	7.500%	4,245.18	9,730.23
09/01/2007	5,519.34	7.500%	4,210.90	9,730.24
10/01/2007	5,553.83	7.500%	4,176.40	9,730.23
11/01/2007	5,588.54	7.500%	4,141.69	9,730.23
12/01/2007	5,623.47	7.500%	4,106.76	9,730.23
01/01/2008	5,658.62	7.500%	4,071.61	9,730.23
02/01/2008	5,693.99	7.500%	4,036.25	9,730.24
03/01/2008	5,729.57	7.500%	4,000.66	9,730.23
04/01/2008	5,765.38	7.500%	3,964.85	9,730.23
05/01/2008	5,801.42	7.500%	3,928.82	9,730.24
06/01/2008	5,837.67	7.500%	3,892.56	9,730.23
07/01/2008	5,874.16	7.500%	3,856.07	9,730.23
08/01/2008	5,910.87	7.500%	3,819.36	9,730.23
09/01/2008	5,947.82	7.500%	3,782.41	9,730.23
10/01/2008	5,984.99	7.500%	3,745.24	9,730.23
11/01/2008	6,022.40	7.500%	3,707.83	9,730.23

\$1,280,000

*Carroll County Water District
Series 1995*

Prior Original Debt Service

Part 2 of 3

Date	Principal	Coupon	Interest	Total P+I
12/01/2008	6,060.04	7.500%	3,670.19	9,730.23
01/01/2009	6,097.91	7.500%	3,632.32	9,730.23
02/01/2009	6,136.02	7.500%	3,594.21	9,730.23
03/01/2009	6,174.37	7.500%	3,555.86	9,730.23
04/01/2009	6,212.96	7.500%	3,517.27	9,730.23
05/01/2009	6,251.80	7.500%	3,478.44	9,730.24
06/01/2009	6,290.87	7.500%	3,439.36	9,730.23
07/01/2009	6,330.19	7.500%	3,400.04	9,730.23
08/01/2009	6,369.75	7.500%	3,360.48	9,730.23
09/01/2009	6,409.56	7.500%	3,320.67	9,730.23
10/01/2009	6,449.62	7.500%	3,280.61	9,730.23
11/01/2009	6,489.93	7.500%	3,240.30	9,730.23
12/01/2009	6,530.49	7.500%	3,199.74	9,730.23
01/01/2010	6,571.31	7.500%	3,158.92	9,730.23
02/01/2010	6,612.38	7.500%	3,117.85	9,730.23
03/01/2010	6,653.71	7.500%	3,076.52	9,730.23
04/01/2010	6,695.29	7.500%	3,034.94	9,730.23
05/01/2010	6,737.14	7.500%	2,993.09	9,730.23
06/01/2010	6,779.25	7.500%	2,950.99	9,730.24
07/01/2010	6,821.62	7.500%	2,908.62	9,730.24
08/01/2010	6,864.25	7.500%	2,865.98	9,730.23
09/01/2010	6,907.15	7.500%	2,823.08	9,730.23
10/01/2010	6,950.32	7.500%	2,779.91	9,730.23
11/01/2010	6,993.76	7.500%	2,736.47	9,730.23
12/01/2010	7,037.47	7.500%	2,692.76	9,730.23
01/01/2011	7,081.46	7.500%	2,648.77	9,730.23
02/01/2011	7,125.72	7.500%	2,604.52	9,730.24
03/01/2011	7,170.25	7.500%	2,559.98	9,730.23
04/01/2011	7,215.07	7.500%	2,515.17	9,730.24
05/01/2011	7,260.16	7.500%	2,470.07	9,730.23
06/01/2011	7,305.54	7.500%	2,424.70	9,730.24
07/01/2011	7,351.20	7.500%	2,379.04	9,730.24
08/01/2011	7,397.14	7.500%	2,333.09	9,730.23
09/01/2011	7,443.37	7.500%	2,286.86	9,730.23
10/01/2011	7,489.89	7.500%	2,240.34	9,730.23
11/01/2011	7,536.71	7.500%	2,193.53	9,730.24
12/01/2011	7,583.81	7.500%	2,146.42	9,730.23
01/01/2012	7,631.21	7.500%	2,099.02	9,730.23
02/01/2012	7,678.90	7.500%	2,051.33	9,730.23
03/01/2012	7,726.90	7.500%	2,003.33	9,730.23
04/01/2012	7,775.19	7.500%	1,955.04	9,730.23
05/01/2012	7,823.78	7.500%	1,906.45	9,730.23
06/01/2012	7,872.68	7.500%	1,857.55	9,730.23
07/01/2012	7,921.89	7.500%	1,808.34	9,730.23
08/01/2012	7,971.40	7.500%	1,758.83	9,730.23

\$1,280,000
Carroll County Water District
Series 1995

Prior Original Debt Service

Part 3 of 3

Date	Principal	Coupon	Interest	Total P+I
09/01/2012	8,021.22	7.500%	1,709.01	9,730.23
10/01/2012	8,071.35	7.500%	1,658.88	9,730.23
11/01/2012	8,121.80	7.500%	1,608.43	9,730.23
12/01/2012	8,172.56	7.500%	1,557.67	9,730.23
01/01/2013	8,223.64	7.500%	1,506.59	9,730.23
02/01/2013	8,275.04	7.500%	1,455.19	9,730.23
03/01/2013	8,326.76	7.500%	1,403.48	9,730.24
04/01/2013	8,378.80	7.500%	1,351.43	9,730.23
05/01/2013	8,431.17	7.500%	1,299.07	9,730.24
06/01/2013	8,483.86	7.500%	1,246.37	9,730.23
07/01/2013	8,536.88	7.500%	1,193.35	9,730.23
08/01/2013	8,590.24	7.500%	1,139.99	9,730.23
09/01/2013	8,643.93	7.500%	1,086.30	9,730.23
10/01/2013	8,697.95	7.500%	1,032.28	9,730.23
11/01/2013	8,752.32	7.500%	977.92	9,730.24
12/01/2013	8,807.02	7.500%	923.21	9,730.23
01/01/2014	8,862.06	7.500%	868.17	9,730.23
02/01/2014	8,917.45	7.500%	812.78	9,730.23
03/01/2014	8,973.18	7.500%	757.05	9,730.23
04/01/2014	9,029.27	7.500%	700.97	9,730.24
05/01/2014	9,085.70	7.500%	644.53	9,730.23
06/01/2014	9,142.48	7.500%	587.75	9,730.23
07/01/2014	9,199.63	7.500%	530.61	9,730.24
08/01/2014	9,257.12	7.500%	473.11	9,730.23
09/01/2014	9,314.98	7.500%	415.25	9,730.23
10/01/2014	9,373.20	7.500%	357.03	9,730.23
11/01/2014	9,431.78	7.500%	298.45	9,730.23
12/01/2014	9,490.73	7.500%	239.50	9,730.23
01/01/2015	9,550.05	7.500%	180.18	9,730.23
02/01/2015	9,609.73	7.500%	120.50	9,730.23
03/01/2015	9,669.80	7.500%	60.44	9,730.24
04/01/2015		7.500%		
Total	\$825,778.29		\$352,424.71	\$1,178,203.00

Yield Statistics

Average Life.....	5.293 Years
Weighted Average Maturity (Par Basis).....	5.243 Years
Average Coupon.....	7.5000007%

Refunding Bond Information

Refunding Dated Date.....	10/01/2005
Refunding Delivery Date.....	10/19/2005

CARROLL COUNTY WATER DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
REGULATORY BASIS
 For the Years Ended December 31, 2004 and 2003

Operating Revenues:	<u>2004</u>	<u>2003</u>
Charges for Services:		
Water Charges (Net)	\$1,268,634	\$ 1,234,686
Bulk Water Charges	<u>74</u>	<u>79</u>
Total Charges for Services	<u>\$ 1,268,708</u>	<u>\$ 1,234,764</u>
Other Charges and Miscellaneous:		
Billing Service Charges	\$ 27,733	\$ 30,280
Reconnect and Disconnect Charges	29,880	15,105
Miscellaneous	<u>2,908</u>	<u>3,818</u>
Total Other Charges and Miscellaneous	<u>\$ 86,521</u>	<u>\$ 49,203</u>
Total Operating Revenues	<u>\$ 1,326,229</u>	<u>\$ 1,283,967</u>
Operating Expenses:		
Accounting and Collecting Labor	\$ 62,046	\$ 67,707
Administrative Per Diem	15,300	10,800
Administrative Salaries	63,541	57,264
Depreciation Expense	279,293	262,867
Employee Benefits	59,250	50,155
Insurance	24,476	20,012
Maintenance of Mains/Distribution System	107,661	54,814
Office Supplies and Expense	19,322	20,619
Operating Labor	181,270	146,736
Other Interest Expense	169	183
Payroll Taxes	23,134	20,672
Professional Services	4,997	7,881
Purchased Power	66,205	57,923
Purchased Water	9,020	9,333
Regulatory Fees	2,241	2,345
Repairs & Maintenance	10,501	10,233
Retirement Plan Expense	21,426	18,153
Transportation Expense	18,455	13,972
Uniforms	1,889	1,704
Utilities & Telephone	8,263	7,220
Water Treatment Expense	<u>15,986</u>	<u>12,351</u>
Total Operating Expenses	<u>\$ 973,545</u>	<u>\$ 843,034</u>
Net Operating Income	<u>\$ 352,684</u>	<u>\$ 440,933</u>
Nonoperating Revenue (Expense):		
Investment Income	\$ 13,646	\$ 16,406
Interest Expense	(264,737)	(266,810)
Amortization of Bond Issuance Costs	<u>(909)</u>	<u>(909)</u>
Total Nonoperating Revenues (Expense)	<u>\$ (252,000)</u>	<u>\$ (251,313)</u>
Net Income Before Contributions	<u>\$ 100,684</u>	<u>\$ 189,620</u>
Capital Contributions	<u>200,011</u>	<u>63,381</u>
Net Income	<u>\$ 300,695</u>	<u>\$ 253,001</u>
Net Assets—Beginning of Year	<u>3,886,639</u>	<u>3,632,538</u>
Net Assets—End of Year	<u>\$ 4,186,234</u>	<u>\$ 3,885,539</u>

**CARROLL COUNTY WATER DISTRICT NO. 1
STATEMENT OF NET ASSETS
REGULATORY BASIS
December 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
ASSETS		
Current Assets:		
Cash, Including Time Deposits	\$ 768,354	\$ 688,524
Accounts Receivable (Net)	116,737	116,151
Other Receivables	20,770	20,985
Inventory	61,083	60,286
Prepaid Expense	16,388	16,891
Total Current Assets	<u>\$ 988,332</u>	<u>\$ 902,837</u>
Noncurrent Assets:		
Restricted Assets:		
Cash, Including Time Deposits	\$ 445,971	\$ 427,604
Interest Receivable	528	668
Grant Proceeds Receivable	52,781	-
Bond Issuance Costs, Net	25,048	25,957
Capital Assets (Net)	9,666,314	8,370,450
Deposits	100	100
Total Noncurrent Assets	<u>\$10,190,742</u>	<u>\$8,824,719</u>
Total Assets	<u>\$11,179,074</u>	<u>\$9,727,556</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 15,416	\$ 11,706
Accounts Payable - Construction	10,928	136,293
Accounts Payable - Retainage	-	32,018
Accrued Compensated Absences	10,041	7,041
Accrued Wages	1,469	3,914
Accrued Payroll Taxes/Employee Withholding	7,112	6,443
Utility Tax Payable	3,414	3,318
Sales Tax Payable	2,191	2,182
Current Liabilities Payable from Restricted Assets:		
Accrued Interest Payable	74,550	71,243
Revenue Bonds Payable	52,500	73,500
Note Payable - Kentucky Infrastructure	70,870	-
Lease Payable	56,172	52,126
Total Current Liabilities	<u>\$ 304,662</u>	<u>\$ 399,784</u>
Noncurrent Liabilities:		
Revenue Bonds Payable	\$ 4,046,000	\$ 4,098,500
Deferred Loss - Early Debt Retirement	(3,419)	(3,755)
Lease Payable	777,872	833,994
Note Payable - Kentucky Infrastructure Authority	1,837,792	488,774
Escrow - Customer Construction Deposits	19,065	17,670
Accrued Compensated Absences	2,633	-
Noncurrent Liabilities Payable from Restricted Assets:		
Customer Deposits Payable	8,235	7,050
Total Noncurrent Liabilities	<u>6,688,178</u>	<u>\$5,442,233</u>
Total Liabilities	<u>\$ 6,992,840</u>	<u>\$5,842,017</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 2,835,182	\$2,837,004
Restricted for Capital Projects	6,655	9,693
Restricted for Debt Service	357,059	340,226
Unrestricted	987,338	698,616
Total Net Assets	<u>\$ 4,186,234</u>	<u>\$3,885,539</u>

See accompanying notes to the basic financial statements.

CARROLL COUNTY WATER DISTRICT NO. 1
STATEMENT OF CASHFLOWS
REGULATORY BASIS
 For the Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 1,264,412	\$ 1,238,994
Payments to Suppliers	(406,311)	(318,953)
Payments to Employees	(283,669)	45,548
Other Receipts (Payments)	<u>\$ 59,983</u>	<u>\$ 706,514</u>
Net Cash Provided (Used) by Operating Activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Contributions	\$ 147,230	\$ 63,381
Purchase of Capital Assets (including Work in Process)	(1,732,540)	(808,940)
Proceeds - Note Payable Kentucky Infrastructure Authority	419,888	488,774
Principal Paid on Capital Debt	(125,576)	(120,011)
Proceeds - Customer Deposits (Escrowed)	1,395	17,670
Interest Paid on Capital Debt	<u>(261,094)</u>	<u>(267,362)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (550,697)</u>	<u>\$ (626,488)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	\$ 38,000	\$ -
Interest Received	(8,922)	(11,812)
Net Cash Provided (Used) by Investing Activities	<u>\$ 430,200</u>	<u>\$ 5,008</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 127,276	\$ 85,034
Balances-Beginning of the Year	<u>542,925</u>	<u>457,891</u>
Balances-End of the Year	<u><u>\$ 670,201</u></u>	<u><u>\$ 542,925</u></u>

	Balances Per December 31, 2004 Statement of Net Assets	Balances Per December 31, 2004 Statement of Cash Flows
Cash	\$ 498,928	\$ 498,928
Time Deposits	269,426	-
Restricted Cash	171,273	174,273
Restricted Time Deposits	<u>274,698</u>	<u> </u>
Total Cash and Cash Equivalents, End of Year	<u><u>\$ 1,214,325</u></u>	<u><u>\$ 670,201</u></u>

	Balances Per December 31, 2003 Statement of Net Assets	Balances Per December 31, 2003 Statement of Cash Flows
Cash	\$ 423,157	\$ 423,157
Time Deposits	265,367	-
Restricted Cash	119,768	119,768
Restricted Time Deposits	<u>307,836</u>	<u> </u>
Total Cash and Cash Equivalents, End of Year	<u><u>\$ 1,116,128</u></u>	<u><u>\$ 542,925</u></u>

CARROLL COUNTY WATER DISTRICT NO. 1
~~CARROLL COUNTY OF CASH FLOWS~~

REGULATORY BASIS

For the Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$352,684	\$ 440,933
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Cash Flows Reported in Other Categories:		
Depreciation Expense	279,293	262,867
Change in Assets and Liabilities:		
Receivables, Net	(2,586)	3,693
Other Receivables	-	(3,655)
Inventories	(797)	(510)
Prepaid Expenses	(2,497)	(993)
Accounts Payable	3,709	(2,699)
Accrued Wages	(2,445)	1,008
Employee Withholdings Payable	669	3,709
Utility Tax Payable	96	124
Sales Tax Payable	9	(47)
Accrued Payroll Taxes & Employee Benefits	5,633	1,624
Customer Meter Deposits Payable	1,185	460
Net Cash Provided by Operating Activities	<u>\$ 634,953</u>	<u>\$ 706,514</u>

~~SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES~~

At **December** 31, 2004 and **2003**, Carroll County Water District No. 1 had **outstanding** obligations for the **acquisition/construction** of plant assets in the amounts of \$10,928 and \$168,311, respectively.